

Description of Project Land Uses

Inventory and Location

A Facilities Benefit Assessment is applied to residential and non-residential land uses, and various combinations of these land uses that are undeveloped at the time of the adoption of the Resolution of Intention. Such areas are defined as "Areas of Benefit." The location and extent of the Area of Benefit are determined by reference to the County Assessor parcel maps, tentative subdivision maps currently on file, and from information supplied by affected property owners. This information, along with land use designations and assessment payment history, produces a distribution as follows:

<u>Land Use</u>	<u>Proposed Development</u>
Single Family Residential	828 Dwelling Units
Multi-Family Residential	106 Dwelling Units
Open Space	2,118.5 Acres
Neighborhood Parks ¹	14.00 Acres
Institutional ²	14.60 Acres

Figure 1 on page 7 shows the proposed boundaries for the Facilities Benefit Assessment Area.

Development Schedule

The development schedule for Rancho Encantada is based on an estimated development timetable as presently anticipated by the existing property owners, their land use consultants and City Staff. The data indicates that future developments will take place over a five year period.

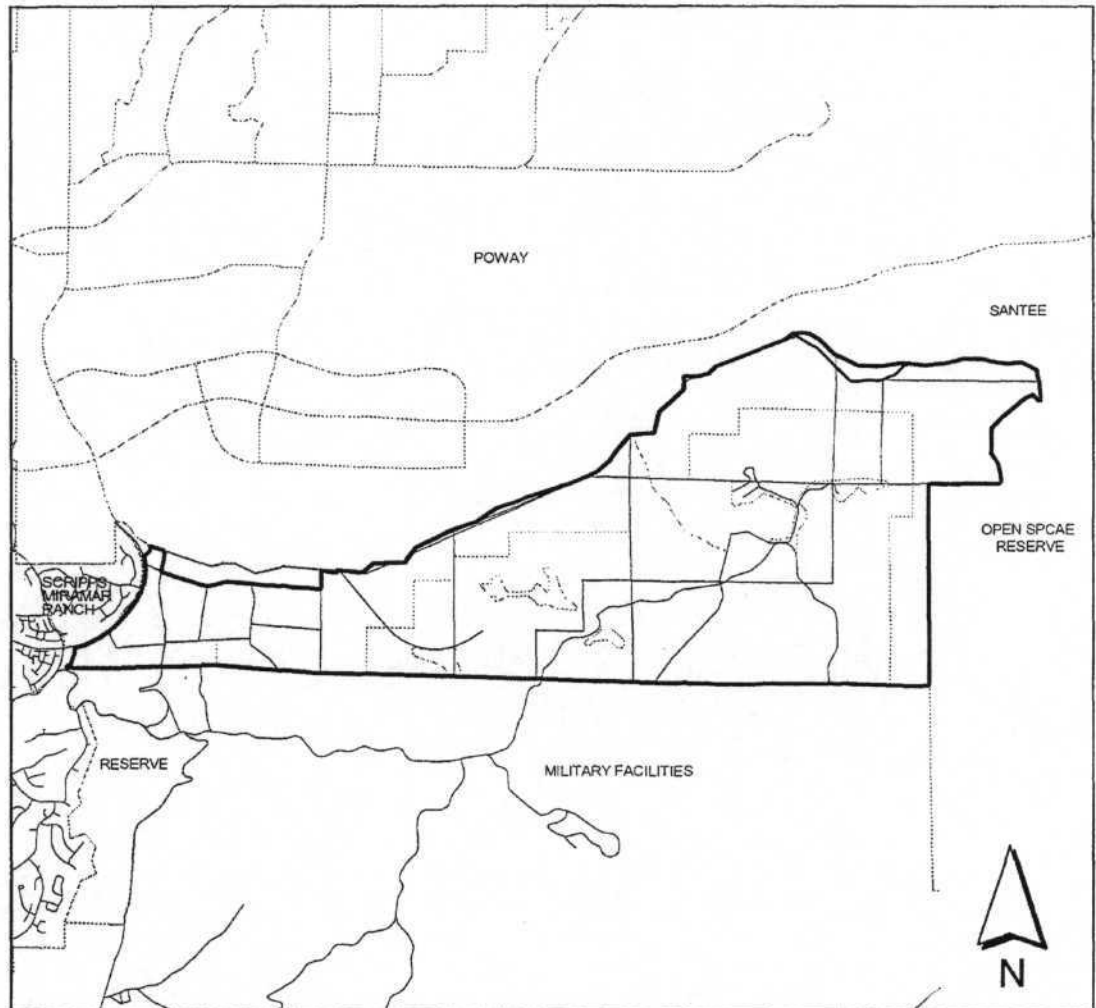
The projected timing of development for Rancho Encantada is presented in Table 1. In this table, the number of units developed within a year refers to those having final permits issued (or paid) during the July-to-June fiscal year, ending with the indicated date. Thus, the number of units developed

¹The Precise Plan for Rancho Encantada identifies Neighborhood Park No. 2 as an institutional use. For clarification we have included both neighborhood parks in this land use designation.

²Institutional uses are now planned for both P.A. 8A and P.A. 10. [P.A. =Planning Area]

in 2006 refers to those for which permits are issued, or paid, between July 1, 2005 and June 30, 2006.

Figure 1
PROPOSED BOUNDARIES



**RANCHO ENCANTADA
FACILITIES BENEFIT ASSESSMENT**

*San Diego, County of San Diego,
and State of California*

Figure 1 - Precise Plan Area and Assessment Boundary

Table I
Residential Development Schedule

FISCAL			DU's	CUMM.
YEAR	SFU	MFU	PER YR	DU's
Prior Years	220	0	220	220
2006	249	50	299	519
2007	175	56	231	750
2008	100	0	100	850
2009	84	0	84	934
PRIOR	220	0		75
TO GO	608	106		859
TOTAL	828	106	934	934

Table 1 - Residential Development Schedule

Methodology

Timing and Cost of Facilities

The public facilities projects to be financed by the FBA funds are shown in Table 9 on page 32. Shown are: (a) the project title, (b) the fiscal year in which the construction is expected, (c) the estimated costs, and (d) the funding sources. The categories covered include neighborhood parks and administrative costs associated with the development, implementation and operation of the FBA program. Following Table 9 are detailed descriptions of the projects listed.

Method of Apportioning Assessments

To spread the assessment for public facilities between the different classes of land use, an "Equivalent Dwelling Unit" or "EDU" has been established for the neighborhood park. The basis for the EDU ratios is a single-family dwelling unit. In the following chart a EDU ratio has been identified for the neighborhood park:

Class of Land Use	Parks
Single Family Residential	1.0
Multi-family Residential	0.7
INST (per acre)	0

Table 2 - NEDU Ratio

Completed Facilities

Rancho Encantada is essentially the last community to be developed in the City's Future Urbanizing Area. When compared to the neighboring communities of Sabre Springs, Miramar Ranch North, and Scripps Miramar Ranch, it is also the smallest. The Precise Plan area, with its small population of only 3,330 residents, is not large enough to justify the construction of a number of public improvements that are common within most communities. Such facilities include a Community Library, Community Park, Recreation Center, and a Fire Station. However, all of these facilities have been previously constructed in these neighboring communities and will support the development of Rancho Encantada. In lieu of providing financial contribution to the cost of the public facilities cited above, Rancho Encantada is responsible for funding a number of offsite public transportation improvements that will benefit the adjacent communities. These public improvements are described in CIP project

sheets contained herein. In addition, the developers of Rancho Encantada have contributed \$3,000,000 towards freeway improvements for the I-15 Corridor. This contribution was made concurrent with the recordation of the first final map in Rancho Encantada. The developers of Rancho Encantada will also be contributing upwards of 6 acres for a second neighborhood park to be located in the community. The value of this contribution is currently estimated at \$2,400,000. The developers will turnkey the construction of this park site and will be reimbursed by the FBA solely for the construction costs.

The developers will also create a Special Community Fund that will benefit the Scripps Communities. Contributions to this fund will consist of a \$500 per residential dwelling unit collected from each building permit issued between the 301st and 800th dwelling unit for a total of \$250,000.

Finally, the developers will make a contribution to the existing Scripps Ranch Library consisting of \$35,000 to provide for a new stairway within the parking lot of the facility. They will also create an endowment for the Scripps Ranch Library by providing a \$20,000 deposit plus \$100 from each of the 828 single family (market rate) dwelling units for a total of \$102,800 for miscellaneous improvements, equipment, books, etc. at the library. This endowment and these supplemental improvements are discussed in more detail in the agreement entitled "Rancho Encantada/Scripps Ranch Big 5 Groups" which is contained in the Appendix.

Open Space Dedication

A significant feature of the Rancho Encantada development is the dedication of approximately 1,568 acres of open space to be incorporated into Mission Trails Regional Park, together with 35,000 square feet of existing buildings to the City or the Mission Trails Regional Park at their option. In addition, the developer has already provided a one time payment of \$250,000 to serve as an endowment for the long term maintenance of the open space within Rancho Encantada.

Determination of the Dollar Assessment

The dollar assessment amount for the FBA is determined on the basis of the following information: (1) the development schedule in dwelling units and acres, (2) the composite EDU factors for each type of land use, (3) the schedule of facility expenditures (in FY 2006 dollars) to be financed with monies from the FBA fund, (4) an interest rate of 2% for FY 2006-2008 and 4% for FY2009 to be applied to any surplus monies over time, (5) an inflation rate of 7 % per year for FY 2007 and FY 2008 and 4% for FY

2009 for determining the future costs of the facilities to be constructed, and (6) an assessment increase following the inflation factor application to assessments remaining unpaid at the end of each fiscal year.

Expenses from the funds are of three types: (1) direct payment for facility costs, (2) credits to developers for facilities provided in accordance with section 61.2213 of the FBA Ordinance, and (3) cash reimbursement to developers for providing facilities exceeding the cost of their FBA obligation pursuant to an approved reimbursement agreement. Thus, whether a developer or the fund provides a facility, it is treated as an expense to the fund.

An individual developer will pay an assessment to the FBA fund, based upon the number of units, or acres developed in a particular year. Pursuant to the terms of a reimbursement agreement with the City, a developer may be issued credits against an assessment for expenditures related to providing facilities in lieu of paying a Facilities Benefit Assessment. An approved reimbursement agreement with the City may also entitle a developer to cash from the FBA fund.

An assessment rate is calculated to provide sufficient monies to meet the scheduled, direct payments for facilities provided by the FBA fund. The base deposit rate also considers the timing of credits and reimbursements to be paid to developers for FBA funded facilities. Table 4 lists the FY 2006 Facilities Benefit Assessment base deposit rate for Rancho Encantada. The FBA charge for institutional uses has been eliminated in that this land use is not responsible for funding neighborhood park improvements.

FBA Methods and Cash Flow Analysis

Table 5 presents a cash flow analysis for the Rancho Encantada FBA. The table shows the difference between accumulated FBA revenues (including earned interest) and capital improvement expenditures each year.

The results verify that under the assumed conditions for inflation factors, interest rates, land use development rates and facility costs, sufficient funds are expected for all listed facility requirements without incurring a negative cash flow at any time throughout the build out of the community. This cash flow does not rely on developer construction of facilities, although it is expected that some facilities will be provided by the main developers through reimbursement agreements.

Annual updates of the cash flow analyses, using actual event status (project status, revenues collected, etc.), are planned during community development. In this way, potential negative cash flow conditions can be anticipated, and expenditure adjustments can be scheduled to fit funding expectations. Facility needs are related to the community growth rate. Scheduling of facility development is contingent on actual development in the community. Therefore, any slowdown in development will result in shifting of the projected schedule for providing needed facilities. When changes in the development rate occur, facility schedules will be modified accordingly and a new cash flow analysis will be prepared.

Basis and Methodology for Automatic Annual Increases

Increases in the Facilities Benefit Assessment are evaluated annually and adjusted to reflect the current economic conditions. The inflation factor used in FBA calculations is 7 % for Fiscal Years 2007 and 2008 and 4% for Fiscal Year 2009. These inflation factors are used to provide an automatic annual increase in fees due, effective July 1 of each year. This automatic increase provision is effective only until such time as the next annual adjustment is authorized by Council. Thereafter, the subsequent Council approved annual adjustment will prevail. Interest earnings for cash on hand are based on a 2% annual rate for Fiscal Years 2006, 2007 and 2008 and a 4% annual rate for FY 2009.

Assessments will be assessed and levied, based on the type and extent of forecasted land use for each parcel within the Areas of Benefit. Table 4 shows the rate of assessment for each land use type for each projected year of development.

Contribution by City

Contributions which the City or other public entities make toward the total CIP costs, if any, are specified in the Capital Improvements Program sheets included with Table 9.

Facilities Benefit Assessments (FBAs)

Utilizing the City's cash flow calculations, the FBA schedule can be determined. The proposed assessment schedule is provided as Table 4. The results of the cash flow analysis are provided as Table 5. Table 6 illustrates the historical information pertaining to the Los Angeles/San Diego Construction Cost Index (CCI), as published by the Engineering News Record. The CCI provides one index in which to predict the effects of inflation, especially as it pertains to construction projects. Another index which has been used to predict the effects of inflation has been the

Consumer Price Index (CPI) for San Diego. The historical information associated with this index has been provided as Table 7.

Community Facilities District

The developers of Rancho Encantada have successfully negotiated with the Poway Unified School District to form a Community Facilities District (CFD) to finance both schools and public facility improvements identified in this Financing Plan. It is currently estimated that this CFD will finance the construction of approximately \$13,200,000 of public improvements. The cost of the CFD equates to approximately \$15,942 per single family dwelling unit, as only the single family units will be participating in the cost of the public facility improvements as part of the CFD. This cost should be added to the FBA fee identified in this Financing Plan in order to determine the total cost of public improvements on an EDU basis. See Table 3 for a comparative analysis of the equivalent impact fees to be charged development in Rancho Encantada.

Assessment Roll Description

After adoption by the City Council of a Resolution of Designation which imposes the Facilities Benefit Assessment, liens will be placed on the undeveloped portions of County Assessor parcels and final map properties within the Areas of Benefit per the Assessment Roll in the Appendix. The maps, plats and assessment rolls summary data which define the Areas of Benefit and specify the assessments will be delivered to the County Recorder for official recording once the updated Public Facilities Financing Plan is approved by the City Council. The assessments are based upon the type and extent of forecasted land use. Collection of the assessments is to be made at the time of building permit issuance with payment made directly to the San Diego City Treasurer.

For each undeveloped map portion or parcel in the Areas of Benefit, the Assessment Listings include the parcel number, the name and address of the owner on file in City records, the projected number of dwelling units or non-residential acres to be developed, and the resulting assessment for related properties. Ownership information is shown on the last equalized assessment roll or as otherwise known to staff (Section 61.2205).

Identification numbers may be nonsequential as a result of the exclusion of some parcels as assessments are paid, as parcels change ownership or are subdivided. An assessment listing key is included on the Assessment Rolls.

Table 3 - Table of Equivalent Fees

Fee Category	Montecito-SFU	Sycamore Estates-SFU	Sycamore Estates-Affordable Housing
FBA Fee (FY 2006)	\$2,290	\$2,290	\$1,603
Equivalent Mello-Roos Assessment	\$15,942	\$15,942	\$0
Subdivider Improvements, computed on a per unit basis	\$13,971	\$13,971	\$9,780
Open Space Endowment Fund	\$402	\$402	\$0
Total Equivalent Fee	\$32,605	\$32,605	\$11,383

Table 3 - Table of Equivalent Impact Fees for Rancho Encantada

Table 4
Table of Proposed FBA Fees

Fiscal Year	SFDU	MFDU	INSTKSF
2005	\$15,350	\$10,745	\$6,849
2006	\$2,290	\$1,603	\$0
2007	\$2,450	\$1,715	\$0
2008	\$2,622	\$1,835	\$0
2009	\$2,727	\$1,908	\$0

Note: The institutional fee category was reduced to \$0 with this update to the Financing plan because this land use category is not responsible to fund the population-based public improvements being funded by FBA.

Table 4 - Table of Proposed FBA Fees

(This page intentionally left blank)

RATE: 4.00% (INFLATION) 7.00% (INFLATION)
 RATE: 4.00% (INTEREST) 2.00% (INTEREST)

TABLE 5

RANCHO ENCANTADA CASH FLOW TABLE

FY 2006 PLAN

10-Mar-05

03:59 PM

FY	NEDU FACTORS---->						INPUT \$	CIP \$	NET BAL.\$	
	SFU	MFU	INST	1.00 \$/SFDU	0.70 \$/MFDU	0.00 \$/INSTKSF	PLUS INTEREST			
2004	75	0	0.0	\$0	\$0	\$0	\$0	0	\$1,077,188	2004
2005	145	0	0.0	\$15,350	\$10,745	\$6,849	\$2,312,783	50,000	\$3,339,971	2005
2006	249	50	0.0	\$2,290	\$1,603	\$0	\$708,497	1,550,000	\$2,498,468	2006
2007	175	56	0.0	\$2,450	\$1,715	\$0	\$579,722	53,500	\$3,024,691	2007
2008	100	0	0.0	\$2,622	\$1,835	\$0	\$317,032	858,675	\$2,483,047	2008
2009	84	0	0.0	\$2,727	\$1,908	\$0	\$282,765	2,559,996	\$205,815	2009
TOTAL	828	106 934	0.0				\$4,200,799	\$5,072,171		

Notes:

1. \$ VALUES ROUNDED TO NEAREST DOLLAR

Table 6
Los Angeles/San Diego Construction Cost Index
as reported by Engineering News Record

YEAR	CCI	PERCENT CHANGE/YEAR	THREE YEAR ROLLING AVERAGE
1974	2000	—	
1975	2308	15.4	
1976	2648	14.7	
1977	2949	11.4	13.8
1978	3178	7.8	11.3
1979	3384	6.5	8.6
1980	3656	8.0	7.4
1981	4083	11.7	8.7
1982	4521	10.7	10.1
1983	4934	9.1	10.5
1984	5051	2.4	7.4
1985	5264	4.2	5.2
1986	5446	3.5	3.4
1987	5452	0.1	2.6
1988	5773	5.9	3.2
1989	5774	0.0	2.0
1990	5789	0.3	2.1
1991	6084	5.1	1.8
1992	6286	3.3	2.9
1993	6361	1.2	3.2
1994	6475	1.8	2.1
1995	6517	0.6	1.2
1996	6522	0.0	0.8
1997	6571	0.8	0.5
1998	6673	1.6	0.8
1999	6832	2.4	1.6
2000	7056	3.3	2.4
2001	7073	0.2	2.0
2002	7440	5.2	2.9
2003	7572	1.8	2.4

Table 6 - Los Angeles/San Diego Construction Cost Index

Table 7
San Diego Consumer Price Index

		PERCENT
YEAR	CPI	CHANGE/YEAR
1984	103.5	
1985	109.2	5.5
1986	112.8	3.3
1987	116.6	3.4
1988	121.9	4.5
1989	128.9	5.7
1990	136.5	5.9
1991	142.2	4.2
1992	147.0	3.4
1993	150.4	2.3
1994	154.3	2.6
1995	156.3	1.3
1996	159.8	2.2
1997	163.7	2.4
1998	166.0	1.4
1999	171.7	3.4
2000	179.8	4.7
2001	190.1	5.7
2002	195.7	2.9
2003	203.8	4.1
2004	211.4	3.7

Table 7 - San Diego Consumer Price Index

(This page intentionally left blank)